



WHITE PAPER

A Professional's Guide to 1031 Exchanges for Real Estate Investors

Strengthen client relationships and deliver greater value through real estate tax and wealth preservation strategies

Hamilton Zanze



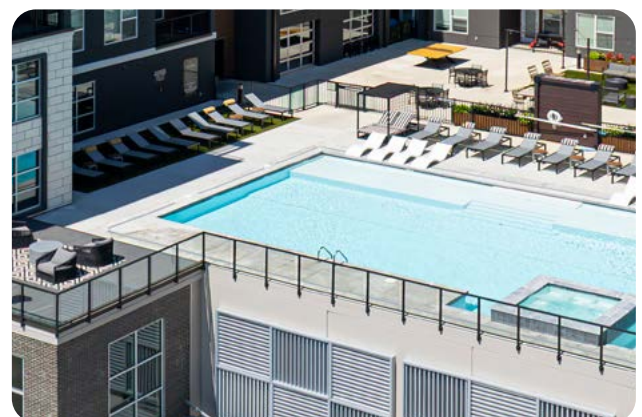
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Introduction

Selling a rental property presents owners with a complex set of challenges—including capital gains exposure, liquidity needs, and estate planning concerns. For clients approaching retirement, facing landlord fatigue, or seeking to simplify their estates, a 1031 exchange offers a sophisticated, IRS-sanctioned strategy to defer taxes and reposition capital. This presents an opportunity for financial professionals to play a key role in helping clients evaluate this option within the context of their broader investment goals.

This white paper is designed for financial professionals who advise real estate owners. It provides a practical framework for how to integrate a 1031 exchange into a broader investment and estate strategy. You'll gain insight into key decision points, tax considerations, and the collaborative roles of financial advisors, brokers, and real estate sponsors in executing a successful exchange.



What Is a 1031 Exchange?

Named for Internal Revenue Code Section 1031, this provision allows real estate investors to defer capital gains taxes when selling one investment property by reinvesting the proceeds into another like-kind property.

KEY REQUIREMENTS FOR A 1031 EXCHANGE

To successfully execute a 1031 exchange, specific conditions must be met.

- 1. Like-Kind Property.** The property being sold and the property being acquired in a 1031 exchange need to be “like-kind,” meaning both are held for business or investment purposes. Personal-use properties, such as primary residences, do not qualify for 1031 exchanges.
- 2. Qualified Intermediary.** The proceeds from the sale must be held in escrow by a third party between the transactions. **Important:** This needs to be set up before the sale of the property is completed.
- 3. Timelines.** The seller must identify a replacement property, with the option to designate up to two additional backup properties, within 45 days of the sale and close on it within 180 days of the sale.



Why Real Estate Investors Cash Out vs. a 1031 Exchange

Before exploring professional insights, let’s look at some of the most common reasons an investor may consider selling their property:

- Approaching retirement
- Tax liability and liquidity needs
- Landlord fatigue
- Deferred maintenance concerns
- Uncertainty about heirs’ interest or ability

ADDRESSING THE CONCERNS OF AGING PROPERTY OWNERS

As clients near retirement, many no longer want the stress, expense, and time commitment involved in managing real estate. However, gifting property to heirs raises important questions:

- Will the next generation want to manage these assets?
- Do they have the skills or interest in doing it effectively?
- What are the tax implications of selling or transferring the property?

These uncertainties need to be addressed through a holistic planning approach that factors in income needs, family dynamics, and long-term goals.

PROFESSIONALS SHOULD HELP CLIENTS WEIGH TWO PRIMARY PATHS

Option	What It Means
Cash out with a traditional sale	Triggers capital gains taxes, reducing proceeds by as much as 40% in some cases
Reinvest through a 1031 exchange	Defers taxes and keeps capital working through reinvestment into a like-kind property

Professional Insights on Helping Clients Through the 1031 Exchange Process

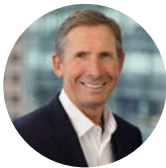
With many older landlords now evaluating ways to reduce the day-to-day burdens of ownership while preserving wealth, three industry experts share their perspectives on how to successfully structure a 1031 exchange—each bringing unique insights from financial advising, brokerage, and investment sponsorship.



BEN STEWART

President & Chief Investment Officer, Stewart Wealth Management

Ben helps clients navigate property management, tax, and estate planning through integrated 1031 strategies.



BRAD LAGOMARSINO

Vice Chair, Multifamily Investments, Colliers

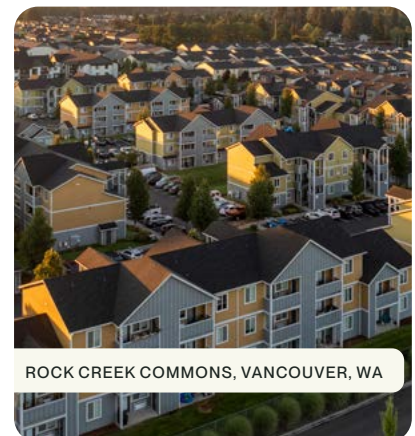
Brad advises clients on selling multifamily assets and transitioning into passive income opportunities through 1031 exchanges.



ASHLEE CABEAL

Chief Financial Officer & Partner, Hamilton Zanze

Ashlee oversees 1031 exchange execution and helps investors shift from active ownership to professionally managed real estate portfolios.



Perspective 1: A Financial Advisor

FOCUS

Integrating 1031 exchanges into long-term financial and estate planning.



BEN STEWART

President & Chief Investment Officer, Stewart Wealth Management

With more than 20 years of experience, Ben helps clients align investment decisions with long-term goals. As both a financial advisor and portfolio manager, Ben brings specialized expertise in public markets and real estate. He views real estate as a powerful component of a well-diversified portfolio, supporting growth, passive income generation, and legacy planning.

THE ROLE OF THE FINANCIAL ADVISOR IN A 1031 EXCHANGE

Real estate investments can be complex and need to be integrated into your broader investment and estate planning strategy. When considering a sale, Ben recommends, *“Your first step should be to meet with your CPA and determine what your tax liability is. Then you can start working on your tax deferral strategies. The true value of a 1031 exchange is that it can transform a potential tax burden into a strategic opportunity. With the right team, this becomes more than a transaction—it’s a path to financial security.”*

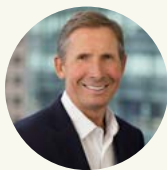
Ben works closely with clients, CPAs, and sponsors to:

- **Develop a sale and reinvestment plan**
Ensure the real estate disposition and reinvestment strategy support the client’s income, diversification, and long-term financial goals.
- **Evaluate tax liability**
Collaborate with CPAs to assess capital gains exposure and recommend tax-efficient strategies.
- **Integrate real estate into long-term planning**
Factor in retirement planning, risk tolerance, income needs, and estate strategy.
- **Coordinate with brokers and sponsors**
Facilitate a smooth exchange process by working with trusted partners to identify suitable replacement properties and manage deadlines.

Perspective 2: A Multifamily Real Estate Professional

FOCUS

Guiding clients through property sales and into passive reinvestment.



BRAD LAGOMARSINO

Vice Chair, Multifamily Investments, Colliers

With more than 30 years of experience in multifamily and mixed-use properties, Brad has led transactions totaling more than \$1.5 billion and more than 6,500 residential and commercial units. As a seasoned broker, he regularly partners with real estate investors and their advisory teams to help navigate property sales, execute 1031 exchanges, and preserve generational wealth.

KEY BROKER RESPONSIBILITIES IN THE 1031 EXCHANGE PROCESS

Brad supports his clients through a collaborative and education-focused approach:

- **Clarify investment objectives**
Help clients decide whether they want to maintain active control, move to passive income, or diversify geographically.
- **Educate clients on 1031 exchange mechanics**
Guide clients through IRS rules and the risk of missteps, such as missing deadlines or reinvesting in unfamiliar markets.
- **Identify passive income opportunities**
Connect clients with reputable sponsors who offer institutional-quality real estate investments.
- **Evaluate market conditions and regulatory environments**
For example, many clients look to move away from high-regulation markets like California in favor of more landlord-friendly states with growth potential.

HELPING CLIENTS AVOID COMMON MISTAKES

Many of Brad's clients have built wealth through decades of active real estate ownership. As they age, this prompts important discussions around gifting, selling, or pursuing a tax-deferred exchange.

"While everyone ideally wants to sell when the market is right, sometimes the best time is when the family is in agreement," Brad says. "Complex family dynamics often require flexible ownership structures to avoid conflict."

Some of the biggest mistakes Brad sees are investors chasing yield in unfamiliar markets or overlooking how the asset fits into their estate plan.

Brad emphasizes that the most successful exchanges prioritize capital preservation, tax deferral, and long-term alignment with estate goals—not just short-term yield. He goes on to say, *"With the right team and strategy, investors can secure high-quality replacement properties, meet strict IRS deadlines, and design a real estate portfolio that supports multigenerational wealth transfer."*



Perspective 3: A Multifamily Investment Sponsor

FOCUS

Creating a passive investment experience through a 1031 exchange.



ASHLEE CABEAL
Chief Financial Officer & Partner, Hamilton Zanze

Ashlee is the Chief Financial Officer at Hamilton Zanze, a national multifamily real estate investment firm specializing in 1031 exchanges and sponsor-managed reinvestments. With deep experience in the transition from active property management to passive income generation, Ashlee is a frequent collaborator with investors, advisors, and CPAs navigating complex real estate dispositions and estate planning needs.

THE SPONSOR'S ROLE IN THE 1031 EXCHANGE PROCESS

A sponsor like Hamilton Zanze helps streamline the 1031 exchange by managing logistics, compliance, and acquisitions throughout the exchange period. They work closely with the investor, in collaboration with the financial/tax advisor and broker, to ensure a successful transaction.

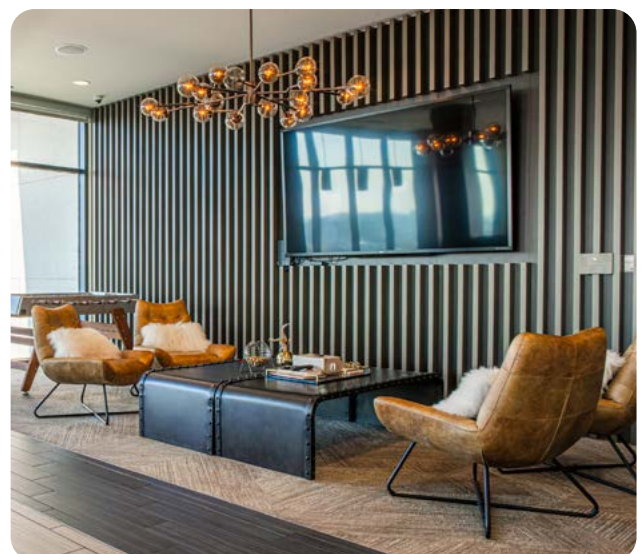
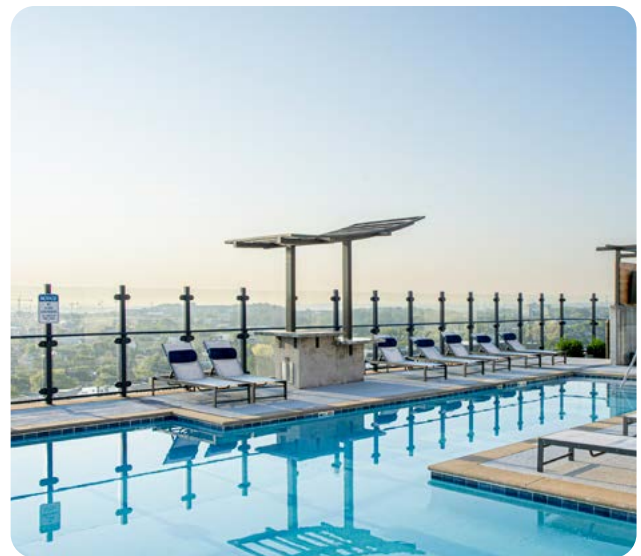
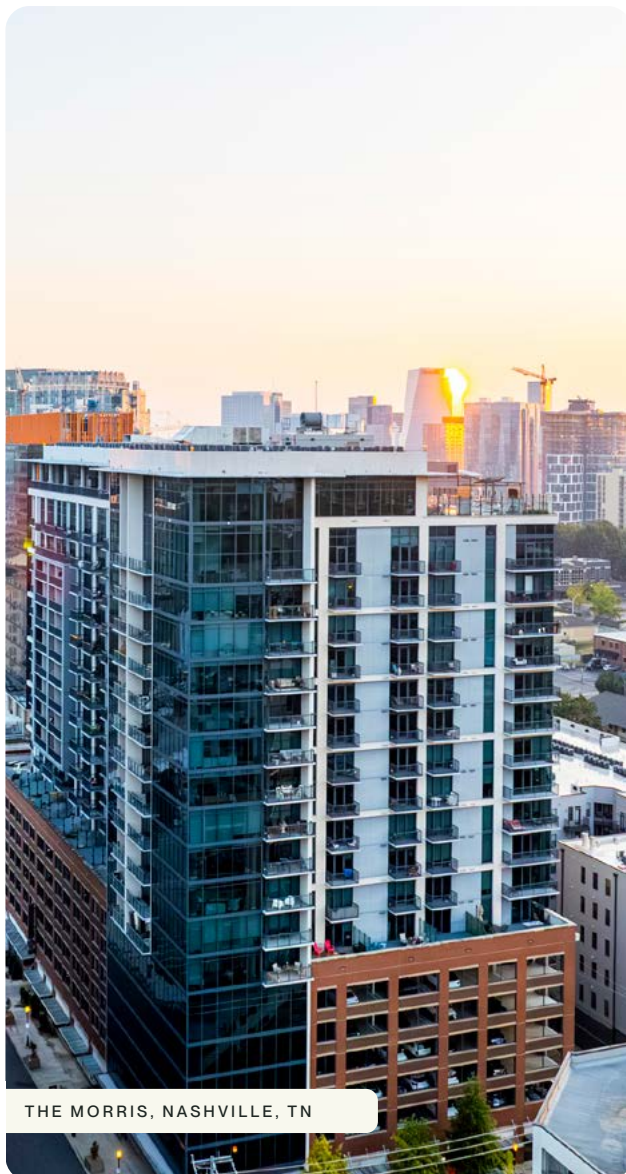
How sponsors ensure a smooth transition:

- 1. Initial planning and onboarding**
Investor connects with the sponsor prior to the sale to discuss reinvestment goals.
- 2. Sale of relinquished property**
Proceeds are transferred to a qualified intermediary (QI).
- 3. Property identification (within 45 days)**
Sponsor presents vetted reinvestment options that meet IRS identification rules.
- 4. Acquisition of replacement property (within 180 days)**
Sponsor facilitates due diligence, acquisition, and asset onboarding.
- 5. Ongoing asset management**
Sponsor provides professional asset and property management, investor reporting, and cash distributions.

ESTATE PLANNING ADVANTAGES WHEN WORKING WITH A SPONSOR

Estate planning is a major driver of 1031 exchanges for many long-term real estate investors. Ashlee frequently helps clients shift from sole ownership of actively managed properties to fractionalized, passive ownership in institutional-grade investments. This structure not only reduces family conflict and administrative burdens but also creates predictable income and greater liquidity for heirs.

Ashlee emphasizes, *“It’s important to have these conversations now—before the asset becomes a source of conflict. Not all heirs have the same goals or appetite for risk.”*



Unlocking the Value of a 1031 Exchange With a Sponsor

Sponsors like Hamilton Zanze offer critical advantages for advisory teams and investors:



Tax deferral

Defer capital gains taxes and preserve more capital for reinvestment, allowing clients to stay invested.



Passive income generation

Facilitate clients' transition from active property management to professionally managed investments with predictable income streams.



Access institutional-quality assets

Provide investors with exposure to high-quality multifamily properties that often feature growth markets with stable tenant bases and long-term appreciation potential.



Tax-efficient distributions

Investors can benefit from risk-adjusted income streams. Tax-deferred reinvestment helps maximize overall returns and preserve capital.



Professionally managed assets

A dedicated team with expertise in managing high-quality multifamily properties can help reduce controllable expenses and maximize distributable income.



Capital appreciation potential

Align your clients with assets that are actively managed for long-term appreciation, supported by strategic improvements and market positioning.



Portfolio diversification

Many top-tier sponsors offer regional and asset-class diversification without requiring your clients to have local market expertise.



Simplified estate planning

Help clients consolidate real estate holdings into sponsor-managed investments, reducing administrative burdens for heirs while ensuring continued income.



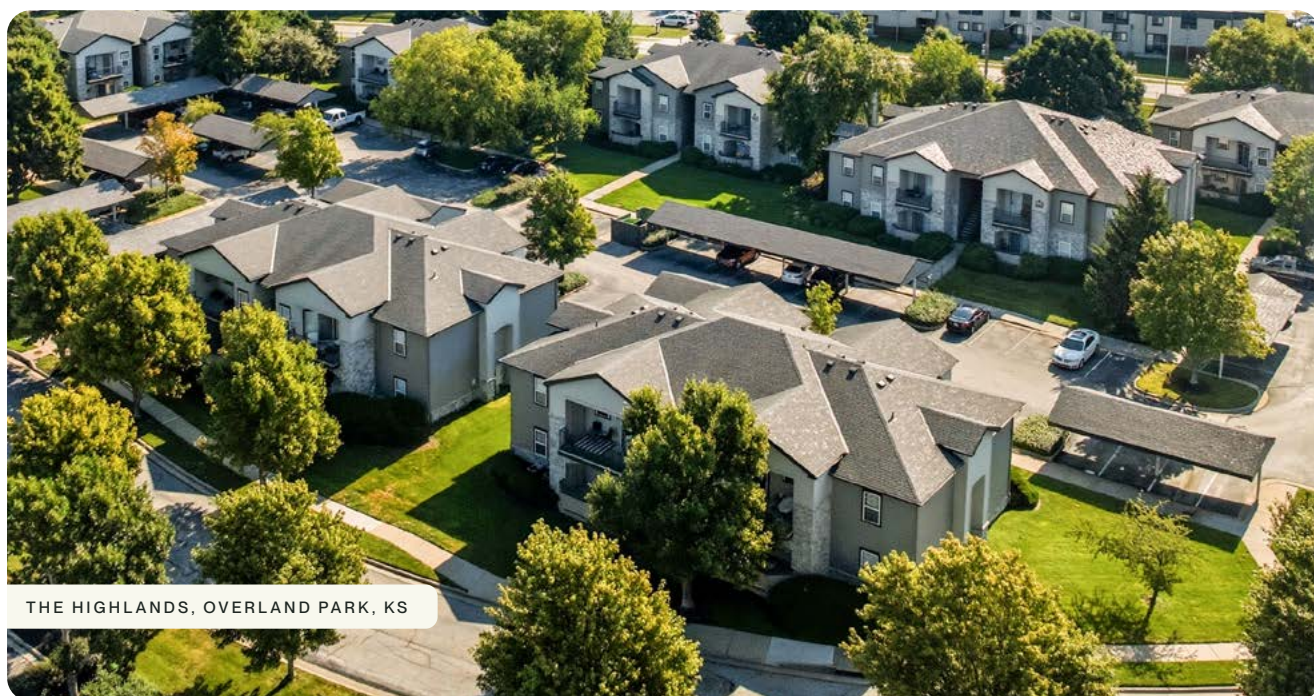
Regulatory risk management

The sponsor monitors and navigates ever-evolving local regulations in its investment decisions to help reduce risk and exposure for clients.

Key Considerations When Selecting a Multifamily Sponsor

Once a 1031 exchange strategy is in motion, selecting the right sponsor becomes essential. Alongside clients, financial professionals should evaluate:

- ✓ **Track record and experience**
Confirm a proven history of delivering consistent returns and transparent reporting.
- ✓ **Specialization in their CRE segment**
Choose a sponsor with deep specialization and extensive experience in multifamily and 1031 exchanges, such as Hamilton Zanze.
- ✓ **Exit strategy and flexibility**
Understand how and when assets may be sold or refinanced. Look for a firm that offers multiple exit options, such as selling at an optimal market time or facilitating another 1031 exchange to continue tax deferral.
- ✓ **Invested alongside you**
Look for sponsors who share your commitment to ensuring the investment's success. At Hamilton Zanze, we demonstrate our alignment by investing alongside our investors in every transaction.



Conclusion

For advisors working with clients who own appreciated investment property, a 1031 exchange offers more than just tax deferral—it provides a strategic pathway to preserve capital, generate passive income, and simplify estate planning.

By engaging early with an experienced multifamily sponsor and coordinating closely with tax and real estate professionals, you can help clients transition out of active property management while maintaining the long-term benefits of real estate ownership.

A sponsor like Hamilton Zanze offers access to institutional-grade assets in diversified growth markets, backed by a dedicated team of acquisition, asset management, and investor relations specialists—allowing your clients to focus on positive outcomes, not operations.

To learn more, contact:

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Key Terms to Know

These terms appear throughout the paper and are critical to the exchange process:

- **1031 exchange**

A transaction allowing real estate investors to defer capital gains taxes by reinvesting proceeds from a property sale into like-kind property.

- **DST (Delaware statutory trust)**

A legal structure allowing fractional ownership in institutional-grade real estate. Often used in 1031 exchanges to provide passive income.

- **721 exchange (UPREIT)**

A strategy that allows an investor to contribute real estate into an umbrella partnership REIT, deferring capital gains while receiving operating partnership units.

- **Like-kind property**

Real estate held for business or investment purposes that qualifies for a 1031 exchange, regardless of asset type.

- **Qualified intermediary**

A third-party entity required to facilitate a 1031 exchange and hold proceeds between the sale and reinvestment.

- **Exchange accommodator**

Another term for “qualified intermediary.”

Connect With Hamilton Zanze



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Or visit us at:

hamiltonzanze.com/1031-exchange

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